

Message Text

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ACTION ARA-10

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FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC 3088

AMCONSUL SALVADOR

INFO USDEL MTN GENEVA

AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

UNCLAS BRASILIA 10940

E.O. 11652: N/A

TAGS: ETRD BR

SUBJECT: GSP AND CASTOR OIL EXCLUSION

REF: (A) SALVADOR 0133 (B) STATE 292572

1. SUMMARY: FOLLOWING IS EXPLANATION FOR EXCLUSION FROM DUTY FREE TREATMENT OF CASTOR OIL PRODUCTS, TSUS 176.01 AND TSUS 176.02, FROM BRAZIL IN RESPONSE TO REFTEL FROM AMCONSUL SALVADOR. SALVADOR CABLE IS BEING REPEATED TO DEPARTMENT. DEPARTMENT IS REQUESTED TO CHECK ALLEGATION BY BRAZILIAN PRODUCERS THAT THERE ARE NO US PRODUCERS OF CASTOR OIL CATEGORY 176.01 WHICH COULD AFFECT TREATMENT UNDER GSP OF THIS CATEGORY. END SUMMARY.

2. IN RESPONSE TO REFTEL (A) FOLLOWING IS EXPLANATION WHY BRAZILIAN CASTOR OIL CANNOT ENTER US DUTY FREE ON JAN.1, 1976.

3. TSUS 176.01 (CASTOR OIL, VALUED NOT OVER 20 CENTS PER POUND) AND 176.02 (CASTOR OIL, VALUED OVER 20 CENTS PER POUND) ARE ELIGIBLE ARTICLES IN US GSP LIST. BRAZIL, HOWEVER, IS NOT ENTITLED TO DUTY FREE TREATMENT OF THESE ARTICLES ON JAN. 1, 1976, WHEN GSP GOES INTO EFFECT, BY VIRTUE OF THE PROVISIONS OF SECTION 504(C) OF THE TRADE ACT OF 1974,
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I.E. THE SO-CALLED "COMPETITIVE NEED" CRITERIA. THERE ARE

TWO COMPETITIVE NEED CRITERIA. THE FIRST EXCLUDES FROM DUTY FREE TREATMENT FOR INDIVIDUAL COUNTRIES PRODUCT CATEGORIES IN WHICH EXPORTS TO THE US HAD VALUE GREATER THAN \$25 MILLION. THIS FIGURE WILL BE ADJUSTED UPWARDS IN RELATION TO US GROSS NATIONAL PRODUCT. THE SECOND "COMPETITIVE NEED" CRITERIA EXCLUDES FROM DUTY FREE TREATMENT A PRODUCT CATEGORY FROM A GIVEN COUNTRY WHICH HAS AN IMPORT MARKET SHARE GREATER THAN 50 PERCENT BASED ON VALUE. THIS SECOND CRITERIA, AND NOT, REPEAT NOT, THE FIRST, IS WAIVED IF THE US DOES NOT PRODUCE A "LIKE OR DIRECTLY COMPETITIVE ARTICLE".

4. IN 1974, BRAZIL EXPORTED \$38,717,332 OF CATEGORY 176.02 TO THE US AND THIS CONSTITUTED A MARKET SHARE OF 89 PERCENT; SO IT IS EXCLUDED BY BOTH CRITERIA. ALSO IN 1974, BRAZIL EXPORTED TO THE US \$324,513 OF CATEGORY 176.01; AND THIS WAS 100 PERCENT OF THE IMPORT MARKET. THEREFORE, IT IS EXCLUDED BY THE SECOND CRITERIA. IF, AS ALLEGED BY BRAZILIAN CASTOR OIL INDUSTRY SOURCES, THE ONLY FIRM IN THE US PRODUCING CASTOR OIL HAS GONE OUT OF BUSINESS, THEN, BASED ON 1974 DATA, CATEGORY 176.01 COULD RECEIVE DUTY FREE TREATMENT.

5. AS DESCRIBED IN REF (B) WHICH WAS POUCHED TO CONSULATES BUT PROBABLY HAS NOT YET ARRIVED, TRADE ACT REQUIRES COMPETITIVE NEED FORMULA TO BE RECALCULATED WITHIN 60 DAYS FOLLOWING CLOSE OF CALENDAR YEAR. COMMENCING ROUGHLY MARCH 1, 1976, UNTIL ABOUT FEB. 28, 1977, COMPETITIVE NEED LIMITATIONS WILL BE BASED ON 1975 IMPORTS. THUS, THERE IS THEORETICAL POSSIBILITY THAT IF, IN 1975, TRADE PATTERNS IN CATEGORY 176.01 CHANGE, OR BRAZIL'S EXPORTS TO US OF 176.02 ARE LESS THAN \$25 MILLION, THESE CATEGORIES COULD BECOME DUTY FREE ON OR ABOUT MARCH 1, 1976.

6. ACTION REQUEST FOR WASHINGTON: PLEASE CHECK BRAZILIAN ALLEGATION THAT THERE IS NO CASTOR OIL PRODUCTION IN US AND, IF SO, WHETHER 176.01 WOULD NOT THEN BECOME DUTY FREE. ALSO, PLEASE INFORM US OF VALUE AND IMPORT MARKET SHARE OF BRAZILIAN EXPORTS IN TSUS 176.01 AND 176.02 FOR FIRST EIGHT OR NINE MONTHS OF 1975, IF AVAILABLE.
CRIMMINS

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